

## Message Text

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PAGE 01 STATE 074696  
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EUR/EE:TGERTH:LCB

APPROVED BY EUR:WHLUERS

EUR/EE:CWSCHMIDT

EB/EWT:HCLARKE

NSC:RKING

H:PSTANKE

S/S:SVALERGA

-----095346 230152Z /65

O 230105Z MAR 78

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST IMMEDIATE

C O N F I D E N T I A L STATE 074696

EXDIS

E.O. 11652: GDS

TAGS: EEWT, PERP, SHUM, HU, US

SUBJECT: TRADE AGREEMENT AND EXCHANGE OF LETTERS

REF: BUDAPEST 1102

1. THE SECRETARY HAS SIGNED A MEMORANDUM TO THE PRESIDENT RECOMMENDING A JACKSON-VANIK WAIVER FOR HUNGARY AND THE PROMPT TRANSMISSION OF THE TRADE AGREEMENT TO CONGRESS FOR APPROVAL. HE ALSO PROPOSED THAT THE MARCH 15 EXCHANGE OF LETTERS BE APPENDED TO THE PRESIDENT'S TRANSMITTAL LETTERS TO THE HOUSE AND SENATE. THE MEMO WENT TO THE WHITE HOUSE EARLY ON MARCH 22; THE NSC WILL ENDEAVOR TO HAVE THE PRESIDENT TAKE ACTION BEFORE HE LEAVES THE COUNTRY ON MARCH 28.

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2. TEXT OF SUGGESTED TRANSMITTAL LETTER (IDENTICAL TEXT TO HOUSE AND SENATE) FOLLOWS.

IN ACCORDANCE WITH SECTION 407 OF THE TRADE ACT OF 1974, I TRANSMIT HERewith A COPY OF A PROCLAMATION EXTENDING NONDISCRIMINATORY TREATMENT TO THE PRODUCTS OF

THE HUNGARIAN PEOPLE'S REPUBLIC. I ALSO ENCLOSE THE TEXT

OF THE AGREEMENT ON TRADE RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND THE HUNGARIAN PEOPLE'S REPUBLIC, WHICH WAS SIGNED ON MARCH 17, 1978, AND WHICH IS INCLUDED AS AN ANNEX TO THE PROCLAMATION.

FURTHER, I ENCLOSE A COPY OF MY REPORT TO THE CONGRESS PURSUANT TO SECTION 402(C)(1) OF THE TRADE ACT OF 1974. I SHALL ISSUE TODAY AN EXECUTIVE ORDER WAIVING THE APPLICATION OF SUBSECTIONS (A) AND (B) OF SECTION 402.

THE AGREEMENT ON TRADE RELATIONS SHOULD PROMOTE CONTINUED DEVELOPMENT OF MUTUALLY BENEFICIAL ECONOMIC RELATIONS BY PLACING OUR BILATERAL TRADE ON A NON-DISCRIMINATORY BASIS. IT MARKS ANOTHER SIGNIFICANT STEP IN THE IMPROVEMENT OF U.S.-HUNGARIAN RELATIONS. DURING THIS DECADE WE HAVE CONCLUDED IMPORTANT AGREEMENTS IN THE CONSULAR, FINANCIAL, CULTURAL AND SCIENTIFIC FIELDS AND HAVE ENTERED INTO A CONSTRUCTIVE AND CONTINUING DIALOG IN THESE AND OTHER AREAS OF COMMON INTEREST, INCLUDING HUMANITARIAN MATTERS.

IN THIS CONNECTION, I AM ENCLOSING, FOR THE INFORMATION OF THE CONGRESS, A RECENT EXCHANGE OF LETTERS BETWEEN THE HUNGARIAN FOREIGN MINISTER AND THE AMERICAN CONFIDENTIAL

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AMBASSADOR TO HUNGARY. THIS EXCHANGE REVIEWS THE PROGRESS WE HAVE MADE TO DATE AND MAKES CLEAR THE DESIRE OF EACH NATION TO PURSUE THE FURTHER DEVELOPMENT OF MUTUALLY ADVANTAGEOUS COOPERATION ON A BROAD RANGE OF TOPICS.

THIS EXCHANGE ALSO HIGHLIGHTS HUNGARY'S GENERALLY POSITIVE POLICY ON EMIGRATION. FOR WELL OVER A YEAR, UNITED STATES OFFICIALS HAVE HAD REGULAR CONVERSATIONS WITH HUNGARIAN OFFICIALS CONCERNING HUNGARIAN EMIGRATION LAW, POLICY AND PRACTICE AND THE RESOLUTION OF INDIVIDUAL CASES. THE HUNGARIAN GOVERNMENT HAS STRESSED THAT ITS POLICY IS, AND WILL CONTINUE TO BE, TO DEAL WITH EMIGRATION MATTERS IN A RESPONSIVE AND HUMANITARIAN WAY. HUNGARY'S ACTIONS HAVE BEEN CONSISTENT WITH THIS POLICY; WE HAVE ENCOUNTERED FEW PROBLEMS IN RESOLVING PARTICULAR EMIGRATION CASES.

I HAVE REVIEWED THE CIRCUMSTANCES OF HUNGARIAN EMIGRATION IN LIGHT OF ALL THESE CONSIDERATIONS, AND HAVE DETERMINED THAT A WAIVER OF THE APPLICATION OF SUBSECTIONS (A) AND (B) OF SECTION 402 OF THE TRADE ACT

OF 1974 WILL SUBSTANTIALLY PROMOTE THE OBJECTIVES OF THAT SECTION.

I BELIEVE THAT THE AGREEMENT IS CONSISTENT WITH BOTH THE LETTER AND THE SPIRIT OF THE TRADE ACT OF 1974. IT PROVIDES FOR MUTUAL EXTENSION OF MOST-FAVORED-NATION TARIFF TREATMENT, WHILE SEEKING TO ENSURE OVERALL RECIPROCITY OF ECONOMIC BENEFITS. ITS SPECIAL SAFEGUARD ARRANGEMENTS PROVIDE STRONG ASSURANCES THAT OUR TRADE WITH HUNGARY WILL GROW WITHOUT INJURY TO DOMESTIC FIRMS OR LOSS OF JOBS FOR AMERICAN WORKERS.

THE AGREEMENT ALSO CONFIRMS FOR AMERICAN BUSINESSMEN CERTAIN BASIC RIGHTS AND FACILITIES IN ESTABLISHING CONFIDENTIAL

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OPERATIONS IN HUNGARY AND DOING BUSINESS WITH HUNGARIAN ENTERPRISES. OTHER PROVISIONS INCLUDE THOSE DEALING WITH SETTLEMENT OF COMMERCIAL DISPUTES; FINANCIAL TRANSACTIONS; GOVERNMENT COMMERCIAL OFFICES; AND PROTECTION FOR INDUSTRIAL PROPERTY RIGHTS, INDUSTRIAL PROCESSES, AND COPYRIGHTS.

I URGE THAT CONGRESS ACT AS SOON AS POSSIBLE TO APPROVE THE AGREEMENT. (END TEXT)

3. ONCE THE TRANSMITTAL LETTERS ARE SIGNED BOTH THEY AND THE EXCHANGE OF LETTERS WILL BE PUBLIC DOCUMENTS ALONG WITH THE SEVERAL OTHER REPORTS AND DETERMINATIONS THE PRESIDENT MUST SIGN IN CONNECTION WITH WAIVING JACKSON-VANIK AND TRANSMITTING THE AGREEMENT. WE UNDERSTAND THAT ALL OR MOST OF THESE DOCUMENTS WOULD BE PUBLISHED IN THE FEDERAL REGISTER. WHEN THE CONGRESSIONAL RECORD NOTES RECEIPT OF THE TRANSMITTAL LETTER, IT WOULD THEN ALSO BE AVAILABLE AS PUBLIC CONGRESSIONAL DOCUMENTATION.

4. WE DO NOT INTEND TO GIVE THE TRANSMITTAL PACKAGE ANY EXCEPTIONAL PUBLICITY FOLLOWING SIGNATURE. WE WILL BE PREPARED TO MAKE IT AVAILABLE UPON REQUEST TO MEDIA REPRESENTATIVES. CONTINGENCY PRESS GUIDANCE IS BEING PREPARED.

5. IN RESPONSE TO NAGY'S QUERY (REFTEL) YOU SHOULD INFORM HIM SOONEST THAT IT IS PROBABLE THAT THE EXCHANGE OF LETTERS WILL BE APPENDED TO THE PRESIDENT'S LETTERS TRANSMITTING THE TRADE AGREEMENT TO CONGRESS FOR APPROVAL AND THAT PRESIDENTIAL ACTION MAY TAKE PLACE WITHIN THE NEXT FEW DAYS. WHILE WE DO NOT WISH TO MAKE TEXT OF THE CONFIDENTIAL

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PROPOSED TRANSMITTAL LETTER AVAILABLE TO THE GOH UNTIL IT IS SIGNED, YOU MAY DESCRIBE ITS MAIN ELEMENTS TO NAGY. YOU SHOULD ALSO EXPLAIN TO HIM THE PUBLICITY ASPECTS OUTLINED IN PARA 3 AND 4.

6. UPON RECEIPT OF THE REPORT OF YOUR DISCUSSION WITH NAGY, WE INTEND TO HAVE A PARALLEL CONVERSATION WITH THE HUNGARIAN EMBASSY.

7. A COMPLETE COPY OF THE MEMORANDUM TO THE PRESIDENT HAS BEEN POUCHED TO YOU UNDER REGISTRY NO. 3062473.  
VANCE

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, US CONGRESSIONAL DOCUMENTS, ECONOMIC AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 mar 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014